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Notes on Public Sector Reform and Performance Management

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Notes on Public Sector Reform and Performance Management The United States of America

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The United States of America

1. Background

The United States of America is characterized by a "business-oriented," "free enterprise" culture. Its system of government is also open and fragmented.[1] The two parties, Republican and Democrat, are also influenced by the general "free enterprise" culture. The majority of both parties have been willing to build a more "businesslike" government. These factors made it easy for the USA public sector to accept the concepts from the private sector, and the federal administration has shown enthusiasm towards many of the contemporary management techniques, including management by objectives (MBO), total quality management (TQM), downsizing, benchmarking, and re-engineering.

However, fewer obstacles on the road towards privatization do not necessarily mean that the public sector has been reformed enough. There are always pressures from different perspectives.

Though noted in *Public Management Reform: A Comparative Analysis*, that the need to constrain public expenditure has been a prominent theme throughout the history of public reforms, this is not the problem in the case of the USA.[2] Although rich, based on average per capita incomes, the USA spent a surprisingly small amount of government money on social expenditure.[3] Compared with most European countries, the USA is only a "thin" welfare state.[4] This brought forth the citizens' criticism. Since the 1970s, US public opinion has tended to be increasingly critical of both the motive and the competence of the federal government. Many Americans believed that the federal bureaucracy wasted huge sums of money. The USA experienced strong anti-government rhetoric and low public trust. With this in mind, each of the four last Presidents felt it politically advantageous to include criticism of the federal bureaucracy as a significant element in their electoral campaigns.

The 1980s also was a period during which political and popular awareness of the federal deficit grew. Very high levels of defence spending under the Reagan administration, together with its failure to cut back on social programs, also contributed to this problem. In the late 1980s and early 1990s, the US fiscal position was weakened considerably, and was accompanied by crises in a number of public policy areas, such as

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[1] Christopher Pollitt and Geert Bouckaert, *Public Management Reform: A Comparative Analysis*, Oxford: Oxford University Press, 2000, p. 279.
[2] *Ibid*, 195.
[3] Source from OECD, via Colin Talbot, Lyn Daunton, and Colin Morgan, *Measuring Performance of Government – International Developments*, Report to the UK National Office, [http://www.tintern.org/nao_gov_report.pdf], London, 2001
[4] Christopher Pollitt and Geert Bouckaert, *Public Management Reform: A Comparative Analysis*, Oxford: Oxford University Press, 2000, p. 278.

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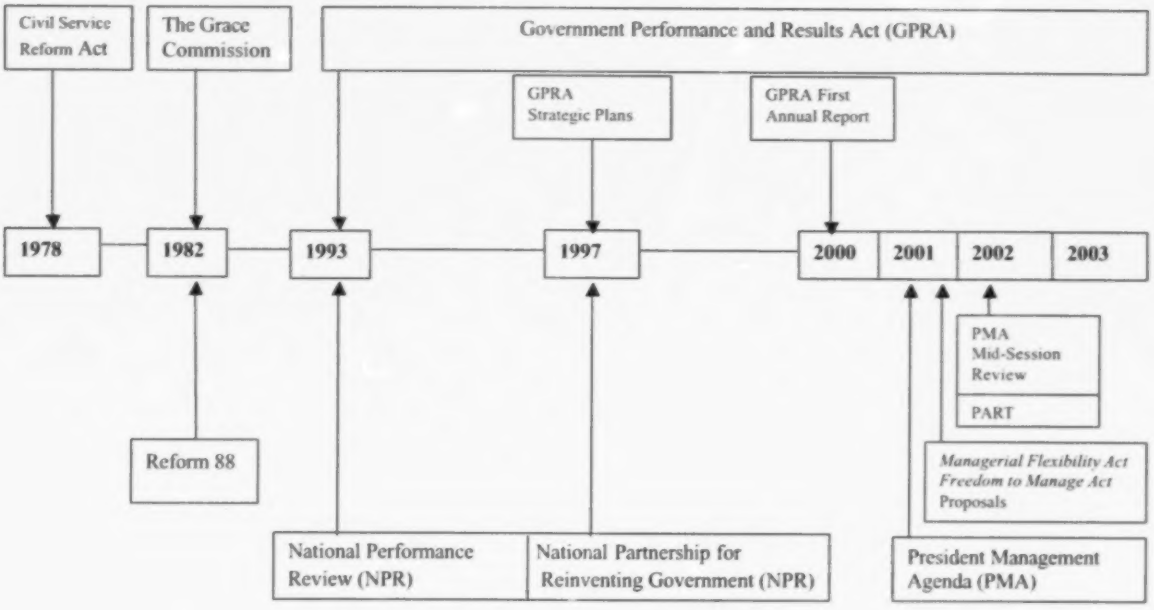
crime, health, and education. By the end of the 1980s, there were signs of a real collapse of morale within the federal government service.[5]

[5] Cited in Christopher Pollitt and Geert Bouckaert, *Public Management Reform: A Comparative Analysis*, Oxford: Oxford University Press, 2000, p. 280.

Timeline of Main Initiatives in USA



2. Early Initiatives

Aware of the social and financial problems of their country, all five Presidents (Carter, 1976-1980; Reagan, 1980-1988, Bush, 1988-1992; Clinton, 1992-2000; and G. Bush, 2000-present), have instituted a number of reforms.

One reform was President Carter's *Civil Service Reform Act (CSRA)* in 1978. CSRA created a Senior Executive Service (SES) of about 8,000, and introduced performance appraisal and merit pay. CSRA set out to define a modern management system that would continue to protect the merit system while placing increased emphasis on personnel programs, improved management, and greater productivity. Its stated purpose was to "ensure that the executive management of the Government of the United States is responsive to the needs, policies, and goals of the nation and otherwise is of the highest quality."[6] The Government's senior executives would be held accountable for individual and organizational performance. To achieve this purpose, CSRA gave greater authority to agencies to manage their executive resources and assigned Office of Personnel Management (OPM) the responsibility for government-wide leadership, direction, and oversight. This comprehensive reform of the civil service system was seen as "the first since the Pendleton Act of 1883"[7].

The Reagan government introduced a welter of reforms, many of which were designed to bring "business disciplines" to the federal civil service. Some main initiatives were:

- The President's Council on Integrity and Efficiency, established in 1981, which "questioned many practices, identified billions of savings as a result of audits, launched civil service and criminal actions, and introduced many sanctions against government agencies or employees."[8]

- Reform 88, launched in 1982, was a broad-scope program, somewhat lacking in focus. Actions included upgrading computer systems and improving financial management and accountability.

- The President's Private Sector Survey on Cost Control (PPSSCC, better known as the Grace Commission), created in 1982, was considered one of the most publicized of these initiatives, and in some ways typified the Reagan administration's approach.[9] The program brought large numbers of business people to identify bureaucracy waste and to make recommendations.

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[6] US Congress, *Civil Service Reform Act*, Public Law 95-454, Oct. 13, 1978.
[7] Federal Labor Relations Authority, *A History of the Statue*, [http://www.flra.gov/reports/20yr1.html], Washington DC, 1999.
[8] D. Savoie, *Thatcher, Reagan, Mulroney: In Search of New Bureaucracy*, Toronto: University of Toronto Press, 1994, p.189.
[9] Christopher Pollitt and Geert Bouckaert, *Public Management Reform: A Comparative Analysis*, Oxford: Oxford University Press, 2000, p. 282.

- The President's Productivity Program introduced in 1985, which aimed at increasing the productivity of government agencies by 20 percent by 1992. Measures included the widespread adoption of total quality management (TQM).

As noted by Savoie, "although not nearly as successful as he would have liked, Reagan promoted privatization, contracting out, and user fees at every opportunity."[10]

It seems no major reforms were taken during the Bush administration (1988-1992), even though in 1989 a task force identified serious weaknesses in the public services including pay, performance appraisal, career development systems, and morale. One observer wrote, "America's flame of managerial reform seems to have died down to a glowing ember."[11]

By contrast, the incoming Clinton administration of 1992 was keen to restore status to the federal government machine by pursuing a high-profile reform that was intended to lead to government that "works better and costs less". This notion led to the main initiatives in the public management reforms in the USA in the 1990s.

[10] D. Savoie, *Thatcher, Reagan, Mulroney: In Search of New Bureaucracy*, Toronto: University of Toronto Press, 1994, p.215.
[11] A. Hede, "Trends in the Civil Services of Anglo-American Systems", *Governance*, 4:4, October 1991, pp. 489-510.

3. Main Initiatives

3.1 National Performance Review

3.1.1 Background

President Clinton took office at a time when extensive public management reforms were being implemented in other jurisdictions, as well as within the US federal and state governments. These changes came about because of pressures from global competition or were the result of local financial crises. One of the biggest pressure was the increasing public distrust in the ability of the federal government to do things right. Having promised to "reinvent" the federal government and to make it work better and cost less, President Clinton created the *National Performance Review (NPR)* on March 3, 1993 with Vice President Gore as its leader. The President asked the Vice President to have a six-month review and to report the results by September 7, 1993.

3.1.2 Contents

The review was staffed by about 250 civil servants. In addition, some interns, state and local government employees, and consultants were involved in the work force. Two sets of teams were organized: one would review the individual agencies and the other would focus on government systems—procurement, budget, personnel, etc. Agencies were also encouraged to create their own internal "reinvention" teams to work with the NPR teams. The Review started with a clear set of principles and an inspiring vision. The goal was to create a government that "works better and costs less" by following four key principles[12]:

- Cutting red tape,
- Putting customers first,
- Empowering employees to get results, and
- Cutting back to basics: producing better government for less.

Following the principles, was the action plan, which included the following key elements:

- Create a clear sense of mission,
- Steer more, row less,
- Delegate authority and responsibility,
- Replace regulations with incentives,

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[12] Al Gore, *From Red Tape to Results: Creating a Government that Works Better and Costs Less*, [http://govinfo.library.unt.edu/npr/library/nprrpt/annrpt/redtpe93/index.html], Washington DC: Government Printing Office, 1993. Introduction.

- Develop budgets based on outcomes,
- Expose federal operations to competition,
- Search for market, not administrative, solutions, and
- Measure our success by customer satisfaction.

Based on the NPR's key principles, the final report *From Red Tape to Results: Creating a Government that Works Better and Costs Less* was presented to President Clinton on September 7, 1993. The NPR made 384 recommendations, based on 38 "accompanying" reports that detailed 1,250 specific actions. The recommendations were expected to save $108 billion in five years, to reduce the number of "overhead" positions, and to improve government operations.

Immediately after the presentation of the report, the President and Vice President made a tour of the country to promote the report and issued *President Directives* to begin implementation of the recommendations, including cutting 252,000 positions [13], cutting internal regulations in half, and requiring agencies to set customers service standards.

[13] NPR, *History of the National Partnership for Reinventing Government Accomplishments, 1993-2001*, [http://govinfo.library.unt.edu/npr/whoweare/appendixf.html], National Performance Review, 2001.

3.1.3 Implementation and Achievements

After the initial report, the NPR team undertook to implement the many recommendations, and then conducted a second round of reviews in 1995. NPR approached the implementation of these actions at three perspectives: government-wide, agency-specific, and employee-focused. After the first Clinton-Gore term, nearly two-thirds of the changes had been made. In their second term, the *National Performance Review* was renamed *National Partnership for Reinventing Government*. NPR began to focus on transforming the culture in the most agencies with the most public contact so as to be more results-oriented, performance-based, and customer-focused. During the seven years of implementation, NPR is said to have achieved these significant accomplishments[14]:

- NPR's recommendations adopted by the Congress led to savings of about $136 billion.
- The size of the federal work force was reduced by 426,200 between January 1993 and September 2000. For the first time the government was the smallest it had been since the Eisenhower administration.
- More than 640,000 pages of internal agency rules were cut, more than 16,000 pages of federal regulations were eliminated, and another 31,000 pages were rewritten into plain languages.
- More than 1,200 *Hammer Award*[15] teams were honoured for reinvention efforts that would save $37 billion as they estimated.
- Agencies completed a substantial majority of the 1,500 recommendations that NPR made in 1993, and in 1995, President Clinton signed more than 50 new directives and Congress passed 90 laws[16] to streamline government operations as the Presidential and congressional supports.
- Partnerships and networks with communities were used to streamline services including reduction of gun violence, books4kids, 21st Century Skills Community Network, etc.
- 570 federal organizations committed to more than 4,000 customer service standards.[17] 30 agencies measured satisfaction with their services via a third party with international standards.

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[14] John Kamensky, *History of the National Partnership for Reinventing Government Accomplishments, 1993-2001*, [http://govinfo.library.unt.edu/npr/whoweare/appendixf.html]. National Performance Review, 2001. Appendix F.

[15] More information about *Hammer Award* is available at [http://govinfo.library.unt.edu/npr/library/awards/hammer/index.html].

[16] More information about legislations related to NPR is available at *List of Laws Signed by President Clinton Containing NPR Recommended Actions, 1993-2000*, [http://govinfo.library.unt.edu/npr/whoweare/appendixc.html].

[17] More information about *Customer Service Standards* is available at NPR's *Customer Service Standards Reports*, [http://govinfo.library.unt.edu/npr/library/system_reports].

- A one-stop website, *FirstGov.gov* was developed for government information, transactions, programs results, and e-mail feedback to government officials, with connections to 27 million web pages and around 1,000 forms and services.

3.1.4 Reviews and Findings

Different conclusions have been drawn about the NPR ever since its inception. When the NPR report was released in 1993, some cynics dismissed it as "just another hollow piece of the rhetoric." Academics attacked it as dangerous to the public interest. [18] Gore's team was also criticized for focusing heavily on cutting federal jobs.[19] Another problem was that NPR was an uneven phenomenon. Where the NPR was a top priority, employees were three times as likely to think that government organizations had made good use of their ability and twice likely to think that productivity was better than where NPR was not emphasized. [20]

On the other side, there are also many comments that support those activities. Kettl noted, "in the first year, the NPR has proven one of the most lively management reforms in American history. It has helped reorient the federal bureaucracy toward a far more effective attack on problems that it must learn to solve."[21] The supports also came from local administrators. As John Koskinen, deputy mayor and city administrator for the District of Columbia, said, "the vast majority of the improvements recommended by NPR were moving in the right direction, though the organization had a hard time getting everyone to see the big picture."[22]

Overall, as the longest public reform in American history, NPR did make changes in the culture with an emphasis on putting customers first, focusing on results, empowering employees, and downsizing government. Kettl commented that NPR would be abolished if anyone other than Al Gore were to sit in the Oval Office in January 2001, "however, it will have to lead to its re-creation (under a different name) soon there after."[23]

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[18] Via Donald F. Kettl, *Reinventing Government? Appraising the Nation Performance Review*, [http://www.brook.edu/dybdocroot/gs/cpm/reinventing.htm], Brookings Institution, 1994.
[19] Via Jason Peckenpaugh, *Reinvention Remembered: A Look Back at Seven Years of Reform*, [http://www.govexec.com/dailyfed/0101/011901p1.htm], GovExec.com Daily Briefing, January 19, 2001
[20] Donald F. Kettl, *Has Government Been "Reinvented"?*, [http://www.brook.edu/dybdocroot/views/testimony/kettl/20000504.htm], Brookings Institution, 2000.
[21] Via Jason Peckenpaugh, *Reinvention Remembered: A Look Back at Seven Years of Reform*, [http://www.govexec.com/dailyfed/0101/011901p1.htm], GovExec.com Daily Briefing, January 19, 2001
[22] Via Tanya Ballard, *Ex-Y2K Czar Says Bush Should Put Management on Front Burner*, [http://207.27.3.29/dailyfed/0601/062601t1.htm], GovExec.com Daily Briefing, Jan 26, 2001.
[23] via Brian Friel, *The End of Reinventing Government as We Know It*, [http://www.govexec.com/dailyfed/0200/020100b1.htm], GovExec.com Daily Briefing, Febrary 1, 2000.

3.2 Government Performance and Results Act

3.2.1 Background

Another significant reform initiative during Clinton's administration was the *Government Performance and Results Act (GPRA)*[24] passed in 1993. An important distinguishing aspect of the GPRA initiative from other reforms is its basis in law. It is thus a creation not only of the President, but also of the Congress. Laws are enduring monuments to government, while Presidential directives might begin or end with a Presidential term.

Although GPRA was passed by the Clinton government, its origins go back to the 1990s. Inspired by the sophisticated performance-based management and budgeting system of the city of Sunnyvale[25], Mr. John Mercer, a former Mayor of Sunnyvale, proposed the idea of GPRA to Senator William V. Roth in January 1990. In October 1990, Senator Roth introduced the *Federal Program Performance Standards and Goals Act of 1990* to the Committee on Government Affairs. Again, in January 1991, a revised version, S.20, was referred to this Committee for hearings. The Committee considered S.20 on August 5, 1992 and adopted an amendment retitling the bill the *Government Performance and Results Act 1992*. In January 1993, S.20 was introduced again for additional hearings.

The idea of GPRA was supported strongly by the Office of Management and Budget (OMB) and the General Accounting Office (GAO). Legislation passed the House on May 25 and the Senate on June 23. President Clinton signed GPRA on August 3, 1993, noting it as "an important first step in the efforts to reform the way the federal government operates and relates to the American people."[26]

3.2.2 Contents

John Mercer stated in his Congressional testimony in 2001 that

> *"GPRA was intended to point the federal government in a particular direction toward a generally defined vision of improved government performance, and then to begin moving it down that road a ways toward fulfilling this vision. ... It [GPRA] was intended to lay a firm foundation upon which to build a more complete structure of performance management."*[27]

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[24] US Congress, *Government Performance and Results Act*, Public Law 103-62. [http://www.john-mercer.com/library/gpra_text.pdf]. August 3, 1993.

[25] More information on performance management system of Sunnyvale is available at http://www.john-mercer.com/mpb_system.htm

[26] Bill Clinton, *Remarks by the President at Bill Signing for the Government Performance and Results Act of 1993*. [http://clinton6.nara.gov/1993/08/1993-08-03-signing-of-the-government-performance-and-results-act.html]. Washington DC: The White House, August 3, 1993.

[27] John Mercer, *The Results Act: Has It Met Congressional Expectations?*. [http://www.john-mercer.com/library/jm_testimony.pdf]. Congressional Testimony, June 19, 2001.

GPRA was intended to improve the effectiveness of the federal government as measured by results, and to do this through better management. Transparency and accountability were introduced as the two core values reflected in GPRA. Stated in the legislation, the purposes of GPRA were [28]:

- to improve the confidence of the American people in the capability of the Federal Government by systematically holding Federal Agencies accountable for achieving program results;
- to initiate program performance reform with a series of pilot projects in setting program goals, measuring program performance against these goals, and reporting publicly on their progress;
- to improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction;
- to help Federal managers improve service delivery, by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality;
- to improve congressional decision making by providing more objective information on achieving statutory objectives, and on the relative effectiveness and efficiency of Federal programs and spending; and
- to improve internal management of the Federal Government.

3.2.3 Implementation and Achievements

Although passed in 1993, GPRA implementation actually began in 1997. GPRA attempted to achieve its goals by requiring agencies to prepare strategic plans, annual performance plans, and program performance reports. Agencies were also required to describe the timing, content, and consultation information of each plan. More specifically, GPRA required that:

- Each federal agency develop a 5-year *strategic plan* to be updated every three years. The first strategic plan was to be submitted no later than September 30, 1997. Each strategic plan was to include general agency goals and objectives, outcome measures, and how these related to specific program performance goals. In creating the plan, agencies must consult with Congress and stakeholders. OMB oversees the development of these plans and provides guidelines[29] for the preparation of the submission.
- Each federal agency develop an annual *performance plan* covering each program activity and establishing performance goals that are objective,

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[28] US Congress, *Government Performance and Results Act*, Public Law 103-62, [http://www.john-mercer.com/library/gpra_text.pdf], August 3, 1993.

[29] OMB, *OMB Circular No. A-11*, [http://www.whitehouse.gov/omb/circulars/a11/01toc.html], Washington DC: The White House, 1993. A Revised Version can be found at [http://www.whitehouse.gov/omb/circulars/], June 27, 2002.

quantifiable, and measurable. An initial draft was to be provided to OMB by September 1997, along with the strategic plan, and then be revised and included in the FY 1999 US Budget.

- Starting in 2000, each federal agency must submit program *performance reports* to Congress, which must review and evaluate the success of achieving the performance goals from the previous fiscal year. The first annual report was to be submitted on March 1, 2000.
- In exchange for *accountability* to achieve a performance goal, OMB may grant agency managerial waivers designed to allow administrative *flexibility*. Agencies can submit the waiver requests with their first performance plan, and must describe the anticipated effects on agency performance.
- No less than ten agencies must be designated as pilot projects. The selected agencies were to reflect a representative range of Government functions and operations of the agency. OMB was to submit a report, no later than May 1, 1997, as to the assessment of the pilot projects.

Walter Groszyk noted, "by design, GPRA is not trying to transform immediately the whole Executive Branch of government."[30] A four-year period was planned for making any needed changes in government processes, systems, and practices before the law was to take full effect in 1997.

The law provided the creation of no less than ten pilot projects, but OMB took advantage of the opportunity and, by 1997, 72 pilot projects were approved. Even though waivers were permitted during the pilot phase of GPRA, it was not easy to get them effected. OMB rejected all of the 61 proposals because they did not fit into the required guidelines or could be waived under other authorities.[31] In 1997, all of the 14 departments and important agencies submitted their drafts of strategic plans for OMB and GAO to assess.[32]

Performance Notes from Leaders' Forums, which were held by the National Academy of Public Administration, suggest that agencies had made significant progress in implementing GPRA.[33] A number of agencies took important steps to increase stakeholder participation in understanding performance measures. For instance, the Patent and Trademark Office (PTO) utilized outside research and stakeholders' consultation in the development of performance measures. Steps were also taken to better integrate financial, planning, and budget processes. For example, the Small Business

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[30] Walter Groszyk, *Implementation of the Government Performance and Results Act 1993*, [http://www.govinfo.library.unt.edu/npr/library/omb/gpra.html], OMB, 1995.
[31] OMB Watch, *Analysis of the Government Performance Act 1993*, [http://www.ombwatch.org/gpra/1997/gpradesc.html], OMB Watch, 1997.
[32] GAO Assessments can be found at http://www.gao.gov/new.items/gpra/gpra.htm.
[33] Leaders' Forum, *Performance Notes*, [http://www.napawash.org/pc_government_performance/recent_performance.html], National Academy of Public Administration, November 16, 1999.

Administration (SBA) aligned its 2000 and 2001 budgets with GPRA.

Starting in fiscal year 1999, departments and agencies submitted their performance plans to OMB and GAO for assessment. GAO described the strengths and weaknesses of departments' plans in the report *Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans.*[34] As noted in the report, overall, agencies' fiscal year 2000 performance plans showed moderate improvements over the fiscal year 1999 plans and contained better information and perspective. The major strengths were:

- Result-oriented goals and quantifiable measure were frequently used to address program performance.
- Use of baseline and trend data to identify past performance was widespread.
- Program strategies were often discussed in relation to the achievement of performance goals.

The key weaknesses were:

- Attention to mission-critical management challenges and program risks were not consistent.
- Coordination of crosscutting program areas needed additional effort.
- Presentations of how agencies' human capital and management resources and strategies would be used to achieve results were insufficient.
- Confidence that performance data will be credible was limited.

3.2.4 Reviews and Findings

GPRA was intended to shift the focus of federal agencies from accountability for process to accountability for results. In doing so, the legislation introduced an important new emphasis into federal performance measurement – the need to identify desired outcomes. As John Mercer stated, the distinction between measuring program outputs and measuring actual outcomes was fundamental to the ultimate accountability of Congress and federal agencies for the effectiveness of the programs they created and administered.[35]

As a law, GPRA provided legal support for public management reforms. The GAO described GPRA as "the centerpiece of a statutory framework Congress put in place during the 1990s to address long-standing weaknesses in federal operations, improve federal management practices, and provide greater accountability for achieving results."[36] Through this statutory framework, Congress sought to improve the fiscal, program, and

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[34] General Accounting Office, *Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans*, [http://www.gao.gov/new.items/gpra/g199215.pdf], GAO, 1999.
[35] John Mercer, *Overview of Government Performance and Results Act*, [http://www.john-mercer.com/gpra.htm], GPRA and Performance Management Services Website http://www.john-mercer.com/.
[36] General Accounting Office, *Managing for Results: Agencies' Annual Plans Can Help Address Strategic Planning Challenges*, [http://www.gao.gov/archive/1998/gg98044.pdf], GAO, January 1998.

management performance of federal agencies, programs, and activities. After several years of implementation, GPRA was viewed as "a powerful tool to strengthen government performance"[37] not only by governments but also by non-profit organizations and academic scholars. Kettl noted in his statement before the joint hearing of committee on Government Reform and Oversight and Committee on Government Affairs, "it [GPRA] can provide the missing link between authorizations and appropriations, on the one hand, [and] the worries about government performance on the other."[38]

GPRA has several key features:

- GPRA provided agencies enough time to review their strengths and weaknesses, allowing them time to develop a useful strategic plan.
- There was no single or uniform approach to performance measurement across the government, thus avoiding over-specification or rigidity in how agencies met the Act's requirements.
- To avoid debates on how best to categorize particular measures, GPRA defined only two types of performance measures: output and outcome measures, both of which were defined sufficiently broadly to cover other measures, such as impact, efficiency, etc.
- No new GPRA bureaucracy was developed. Agencies were not asked to "reinvent the wheel", but to use and apply existing processes and products when developing the plans and reports for GPRA.
- Pilot projects conducted before the full implementation of GPRA provided agencies with experiences and lessons.
- Consultation with Congress enabled agencies to consider the views of those entities potentially affected by or interested in the plan.

Scholars and government agencies also made recommendations to improve the implementation of GPRA. Ellen Taylor stated in her testimony of GPRA that "GPRA's success depends on government's commitment to it."[39] If GPRA is to succeed and not to become yet another partially successful reform, Congress and the Executive Branch, in partnership, must build on past efforts as they move to a new Administration and devote time and resources to the full implementation of GPRA. Taylor also suggested the GPRA reports, plans, and performance information be more easily accessible to the public and written in ways that would be understood by the public, thereby increasing the public's awareness about GPRA. From the non-profit aspects, *OMB Watch* suggested that Congress mandate stakeholder involvement in the performance planning process.

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[37] Ellen Taylor, *Seven Years of GPRA, Has the Results Act Provided Results*, [http://www.ombwatch.org/article/articleview/887/1/90/], OMB Watch, 2000.

[38] Donald F. Kettl, *Implementation of the Government Performance Act of 1993*, [http://www.brook.edu/views/testimony/kettl/7f85c224f737ff3a5bd873580a141465.htm], Brookings Institution, 1996.

[39] Ellen Taylor, *Seven Years of GPRA, Has the Results Act Provided Results*, [http://www.ombwatch.org/article/articleview/887/1/90/], OMB Watch, 2000.

GPRA did not fade away with the change of administration. In his Speech *Getting Results From Government*, President Bush mentioned he would reform and modernize government on the basis of three key objectives: citizen-centered, results-oriented, and market-based. One of the key elements to make government results-oriented is to "enforce the *Government Performance and Results Act* (GPRA) so that funds flow to programs that work. Agency Inspectors General will certify the accuracy of GPRA reports, and OMB will factor the results into its budget recommendations". [40]

3.3 President's Management Agenda

3.3.1 Background

When President Bush came into his position in the year 2000, performance management reforms had already caught the focus of US administrations for more than two decades. With the implementation of past reforms, satisfaction with government service had increased and was near on par with the private service. However, the public's trust in government was still low. [41] Comptroller General David M. Walker stated,

> *"Congress and the new administration face an array of challenges and opportunities to enhance performance and assure the accountability of the federal government. Increased globalization, rapid technological advance, shifting demographics, changing security threats, and various quality of life considerations are promoting fundamental changes in the environment in which government operates. We should seize the opportunity to address today's challenges while preparing for tomorrow."*[42]

In summer 2001, the Office of Management and Budget (OMB) announced the *President's Management Agenda (PMA)*, an aggressive strategy for improving the management of the Federal government. PMA focused on five areas of management weakness across the government where improvements and the most progress could be made. In the President's Message, Bush stated,

> *"Government likes to begin things—to declare grand new programs and causes and national objectives. But good beginnings are not the measure of success. What matters in the end is completion. Performance. Results. Not just making promises, but making good on promises. In my Administration, that will be the*

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[40] Gorge W. Bush, *Getting Results from Government*, June 9, 2000. Full Text is available at [http://www.fpmi.com/FedNews/bush.shtml].

[41] The American Customer Satisfaction Index, released in December 1999, rated customer satisfaction with government as compared to customer satisfaction in the private section, finding that the public sector is on par with the private sector. (Public services had a range of 51 to 87 on a 0-100 scale, with a weighted aggregate score of 68.6; private services had a range of 53 to 86 with a weighted aggregate score of 73.) Via Ellen Taylor, *Seven Years of GPRA, Has the Results Act Provided Results*, OMB Watch, 2000.

[42] Via George W. Bush, *President Management Agenda*, [http://www.whitehouse.gov/omb/budget/fy2002/mg mt.pdf], Washington DC: Executive Office of the President Office of Management and Budget, Whitehouse, 2001.

standard from the farthest regional office of government to the highest office of the land."[43]

3.3.2 Contents

Clearly stated, the President's vision for government reform is guided by three principles. Government should be citizen-centered, not bureaucracy-centered; results-oriented; and market-based, actively promoting rather than stifling innovation through competition.

The Agenda contains five government-wide priority areas and nine agency-specified goals to improve federal management and deliver results that matter to the American people, which are being undertaken in advance of, not instead of, other needed management improvements. Fourteen priorities make up the framework of the Agenda. Each priority area identifies the problems, the initiatives, and the expected short-term and long-term results. The five government-wide areas are:

- Strategic Management of Human Capital,
- Competitive Sourcing,
- Improved Financial Performance,
- Expanded Electronic Government, and
- Budget and Performance Integration.

These five areas are closely interrelated and reinforce each other.

- Workforce planning and restructuring undertaken as part of the *Strategic Management of Human Capital* will be defined in terms of each agency's mission, goals, and objectives—a key element of *Budget and Performance Integration*.
- Agency restructuring is expected to incorporate organizational and staffing changes resulting from *Competitive Sourcing and Expanded E-government.*
- Likewise, efforts toward *Budget and Performance Integration* will reflect improved program performance and savings achieved from *Competitive Sourcing* and will benefit from financial and cost accounting and information systems which are part of the efforts of *Improved Financial Management*.

The Agenda also requires legislative commitment. As micro-management from various sources—Congressional, departmental, and bureau—imposes unnecessary operational rigidity, the administration will sponsor a three-part "Freedom to Manage" initiative to clear statutory impediments to efficient management:

- *Statutory cleanup.* As part of the 2003 budget process, OMB has asked departments and agencies to identify statutory impediments to good management, which, if repealed, would remove barriers to efficient management.

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[43] *Ibid.*

- *Fast-track authority.* Legislation will be proposed to establish a procedure under which heads of departments and agencies could identify structural barriers imposed by law, and Congress would quickly and decisively consider and act to remove obstacles.
- *Managerial flexibility.* OMB will package affirmative legislation comprising proposals to free managers in areas such as personnel, budgeting, and property disposal.

As the barriers are removed, higher performance and greater accountability are expected. Agencies will take a disciplined and focused approach to address these long-standing and substantial challenges and begin the steps necessary to become high performing organizations in which:

- hierarchical, "command and control" bureaucracies will become flatter and more responsive;
- emphasis on process will be replaced by a focus on results;
- organizations burdened with overlapping functions, inefficiencies, and turf battles will function more harmoniously; and
- agencies will strengthen and make the most of the knowledge, skills, and abilities of their people, in order to meet the needs and expectations of their ultimate clients—the American people.

3.3.3 Implementation and Achievements

Implementation of PMA began in August 2001 when President Bush ordered Cabinet Secretaries and agency heads to appoint a "chief operating officer" who would be made responsible for the day-to-day operations. Each of these officers was then added to the President's Management Council (PMC), which was re-established to provide a cross-agency mechanism for PMA implementation and integration.

To track and encourage progress, the Office of Management and Budget (OMB) created scorecards to rate departments and major agencies on where they stood on each of the five priority areas, which would be shared semi-annually with the President.[44] Scores would be based on five standards for success defined by the President's Management Council and discussed with experts throughout government and academe, including individual fellows from the National Academy of Public Administration. The standards for financial management, for instance, were reviewed by the Secretary of the Treasury, the Comptroller General, and the Director of the Office of Management and Budget.

The scorecard employs a simple "traffic light" grading system common today in well-run businesses: green for success, yellow for mixed results, and red for unsatisfactory. Under each of the five standards, an agency is "green" if it meets all of the standards for success, "yellow" if it has achieved some but not all of the criteria, and

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[44] OMB, *Agency Scorecards*, [http://www.whitehouse.gov/omb/budintegration/scorecards/agency_scorecards.html], Washington DC: The Whitehouse, 2001.

"red" if it has even one of any number of serious flaws. For example, in financial management, an agency is "red" if its books are in such poor condition that auditors cannot express an opinion on the agency's financial statements. This rating system is also used by *the Government Performance Project* to evaluate the states, cities, and counties.[45]

On February 4, 2002, the President released his Budget of the U.S. Government for FY 2003,which included the results of the initial Executive Branch Management Scorecard. All 14 cabinet departments and 12 independent agencies were rated on their compliance with the core criteria for each of the five areas. Out of 130 total scores shown, there was one rating of "green," 19 of'yellow," and 110 of "red." An explanation of the reason for each score was also included in the Budget.[46]

On July 15, 2002, OMB's *Mid-Session Review*[47] was released. This annual document was a supplemental update of the Budget transmitted to Congress earlier in the year (February) and contains revised budget estimates (in this case, for FY 2002 through 2007). In this document, OMB made a few revisions to the Scorecard ratings published in February to reflect the status as of June 30, moving three up to "yellow" and one up to "green," while demoting two down to "red." With these adjustments, there were a total of two "greens," 20 "yellows," and 108 "reds" on the baseline of *Executive Branch Management Scorecard.*

Because virtually all agencies received a failing score in the first scoring in February 2002, OMB also added a second part to the Scorecard, rating each department and agency's progress in implementing each reform on the President's Management Agenda. While an agency might have a score of "red" for its present status in implementing a reform, it could get a "green" for its plans to improve and progress against those plans. In fact, on this part of the scorecard, of the 130 ratings, there were 67 "greens," 54 "yellows," and 9 "reds."

On July 16, 2002, the Director of the Office of Management and Budget issued a memorandum[48] to the heads of federal departments and agencies announcing a new approach being used by OMB to assess program performance during development of the President's Budget.

As indicated in the memorandum, OMB began using a *Program Assessment Rating Tool (PART)* for formal evaluation of federal programs. OMB intended to apply this

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[45] More information about t*he Government Performance Project* is available at www.maxwell.syr.edu/gpp/about.

[46] Detailed Scorecard is available at http://www.whitehouse.gov/omb/budintegration/scorecards/agency_scorecards.html.

[47] OMB, *Mid-Session Review*, [http://www.whitehouse.gov/omb/budget/fy2003/msr.html], Washington DC: The Whitehouse, 2002.

[48] Mitchell E. Daniels, Jr., Memorandum for Heads of Departments and Agencies, [http://www.whitehouse.gov/omb/budintegration/part_guidance_letter_agencies.doc], Washington DC: The White House, 2002.

detailed analysis to 20% of all federal programs every year. With previously reviewed programs also being included, this meant that 40% would be reviewed in the second year, 60% in the third year, etc. This effort began immediately after announcement of the PART, and a list of the programs being evaluated for the FY 2004 Budget was included as an attachment to the memorandum. This first round of reviews was concluded on September 16, 2002.[49]

As promised in PMA, in October 2001 the President sent two proposed bills to Congress to further this agenda. The first, the *Managerial Flexibility Act of 2001*[50], included a wide range of specific reforms in areas related to the five initiatives. The second, the *Freedom to Manage Act of 2001*[51], would streamline the elimination of obsolete laws that impede effective management. However, GAO cautioned that the *Freedom to Manage Act* contained several provisions that would significantly limit traditional congressional debate and involvement.[52] As noted in David M. Walker's testimony, GAO believed this bill would provide significant new power to the President to not only initiate changes, but also to affect the ultimate debate and outcomes. GAO suggested that Congress take a reasonable amount of time to assess related legislative proposals.

3.3.4 Reviews and Findings

The implementation of PMA is still at the beginning stage; hence it is too early to assess whether it is a successful reform or not. However, several key features make PMA important:

- The five government-wide priority areas provided a framework for the reform and gave departments and agencies clear direction.
- The program assessment efforts presented an opportunity to inform and improve agency GPRA plans and reports, and establish a meaningful systematic link between GPRA and the budget process.
- The revised scorecards evaluated departments and agencies on two levels: one grade for their status relative to the five areas, and the other grade for their progress toward the PMA goals, which encouraged those departments and agencies with bad scores to make great improvements.
- *Freedom to Manage Act* granted departments and agencies flexibility during the implementation of the PMA.

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[49] More information about PART is available at http://www.whitehouse.gov/omb/budintegration/part_assessing2004.html and http://www.whitehouse.gov/omb/budget/fy2004/pma.html.

[50] US Congress, *Managerial Flexibility Act of 2001*, Bill S. 1612, [http://www.whitehouse.gov/omb/legislative/mfa_bill.pdf], Washington DC, 2001.

[51] US Congress, *Freedom to Manage Act of 2001*, Bill S. 1613, [http://www.whitehouse.gov/omb/legislative/fma_bill.pdf], Washington DC, 2001.

[52] David M. Walker, *Observations on the President's Proposed Freedom to Manage Act*, [http://www.gao.gov/new.items/d02241t.pdf], GAO, 2001.

With the development of the assessment system, agencies improved their performance ratings. Eleven agencies showed improvements in at least one category. For instance, Defense went from a red to yellow light in both human capital and integrating budget and performance. The Energy Department went from red to yellow in three categories—human capital, financial performance, and e-government. Meanwhile, both the Small Business Administration and NASA dropped to red in financial management.[53] Mark Everson, OMB's deputy director for management, stated, "we are beginning to see better scores on progress as [agencies] execute their plans." [54]

4. Key Elements

4.1 Legislative Commitment

Legislative commitment is one of the most important elements of the public sector reform of the USA. Ever since the 1970s, there have been several important laws passed to support public sector reforms.

The first was the *Civil Service Reform Act 1978*, passed under President Carter's administration. The act defined a modern management system that would continue to protect the merit system while placing increased emphasis on personnel programs, improved management, and greater productivity.

The most important legislation for public sector reform was the *Government Performance and Results Act* passed in 1993, under Clinton's administration. This comprehensive legislation was intended to improve the effectiveness of the federal government as measured by results, and to do this through better management. Transparency and accountability were introduced as the two core values reflected in it. As a law, GPRA provided legal support for reforms such as NPR. Moreover, GPRA provided a framework for the public sector reform in the USA. A key feature of GPRA is that it did not fade away with the end of Clinton's administration, and it continues to provide strong support for reforms under Bush's administration.

President's Management Agenda, announced in 2001, required additional legislative support to clear statutory impediments to efficient management. In the year 2001, two laws were proposed: the first, the *Managerial Flexibility Act of 2001*, included a wide range of specific reforms in areas related to Bush's five initiatives; the second, the *Freedom to Manage Act of 2001*, would streamline the elimination of obsolete laws that impede effective management. However, GAO argued that the two legislative proposals would also reduce the power of the Congress. The Act is still under the process of hearings.

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[53] Matthew Weinstock, *Agencies Slow to Move from Red to Green in OMB Performance Rating*, [http://www.govexec.com/dailyfed/0103/013003w3.htm], Daily Briefing, GovExec, January 30, 2003.
[54] *Ibid.*

4.2 Leadership

Leadership has been one of the critical success factors during the past two decades of the USA public reforms. As noted previously, all five Presidents since 1976 recognized the social and financial problems that existed and put their efforts into reforming the public sector.

4.3 Setting Objectives and Measuring Performance

The objective of public sector reform in the USA has been to transform departments and agencies into lean, flexible organizations that emphasize performance and accountability for government spending, through measuring the output and outcomes rather than only the amount of money spent.

According to GPRA, departments and agencies were required to develop strategic plans and annual performance plans, defining performance goals for a fiscal year. GPRA also required OMB to prepare an annual government-wide performance plan, which would be based on the strategic plans of agencies and would be part of the budget of the fiscal year. PMA also combined the government-wide priority areas with specific agencies areas.

Different types of measures have been used in the USA public sector reforms, for example: input, output, outcomes, efficiency, effectiveness, etc. Among these, GPRA and PMA clearly put their focus on outputs and strategic outcomes. As "Putting customers first" is one of the central elements of the performance management reforms in the USA, detailed customer service standards have been set, and customer satisfaction is considered one of the most important measures.

Performance management reforms, such as GPRA, NPR, and PMA, have been initiated from the top. However, attention has been paid to allow for flexible implementation according to the needs of different agencies. Central requirements are usually not very prescriptive. For instance, GPRA gave departments and agencies several years to develop their first strategic plan and annual performance reports; PMA also created two-part scorecards to encourage those departments and agencies with poor performance to make greater improvements in the following year.

4.4 Performance-Based Budgeting

A GPRA's objective was to move federal budgeting toward performance-based budgeting. GPRA has always envisioned the complete integration of the Annual Performance Plan with the Budget. Both strategic plans and annual performance reports would be included in the budget plan of the fiscal year.

PMA also focused on budget and finance. Two of its five priority areas are *Improved Financial Performance* and *Budget and Performance Integration*. Senior officials at the

Office of Management and Budget have described performance-based budgeting as the Bush administration's top management priority. The importance of this reform has been emphasized in the President's Budget each year. Moreover, the OMB has outlined specific requirements for the initial phases of this reform, both as part of the *President's Management Agenda* and as key elements in the *Program Assessment Rating Tool*.

4.5 Performance-Based HR Management

Various performance-based pay arrangements have been used in the federal government, including cash awards, merit pay, bonuses, and sharing of productivity gains. For instance, the *Civil Service Reform Act* passed in 1978 introduced performance appraisal and merit pay. NPR also developed the *Hammer Award* to encourage teams and individuals to work towards the direction of greater accountability. NPR also emphasized that agencies should design their own performance pay system. One goal of NPR was to empower employees to get results. PMA also recognized the importance of human resource management, which was defined as the first of the five priority areas, entitled *Strategic Management of Human Capital*.

4.6 Performance Reporting and Reviewing

The General Accounting Office assists the Congress in its oversight of the executive branch and encourages effective management and accountability. The Office of Management and Budgeting helps agencies develop their reports. Great attention has been paid to performance reporting and reviewing, and the performance information has been used in the budgeting process. For instance, GPRA required all the departments and agencies to develop strategic plans and annual reports, which would be assessed by GAO and OMB. According to PMA, OMB developed scorecards for departments and agencies. The quarterly reviews and annual reports help departments understand their own strengths and weaknesses and make progress.

4.7 Building Performance Culture

Performance management reforms are not only meant to change the structure of government, but are also meant to change the way people think and work. Along the road towards greater accountability, the overall goal of the USA public management reforms is to make the government citizen-centered, performance-oriented, results-focused, and market based. Previous reforms also focused on changing the way government works with business and communities, serving Americans better, transforming access to government through technology, and making the government a better place to work. As these reforms progress, the hope is that these concepts will take root in the minds of political leaders, administrators, public sector employees, and citizens, thereby leading to a performance-based culture.

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